

# Toray Industries, Inc.

Announcement of Business Results  
For the 3Q and Nine Months Ended  
December 31, 2020 (Teleconference)

Transcript

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Descriptions of predicted business results, projections, and business plans for the Fiscal Year Ending March 2021 contained in this material are based on predictive forecasts of the future business environment made at the present time.

The material in this presentation is not a guarantee of the Company's future business performance.

<General>

Q. Inventories have decreased significantly, but are there any segments that still need reduction of inventories? On the other hand, are there any segments that need increase of inventories?

A. We are working to reduce inventories by adjusting operations. We consider that we are at the stage at which we need to make further adjustments to our operations toward the end of the fiscal year.

We will continue to reduce production of carbon fiber composite materials due to high inventory levels. The reduction rate is the highest among all segments. In fibers & textiles, for example, inventory levels of nylon for apparel applications are high, so some inventory reduction is necessary. Demand for resins is generally strong, and supply-demand balance is tight. As for films, each performance differs by product, but shipments of PET films are generally strong.

Q. Demand for automobile related materials seems to have recovered in the 3Q, but will shipments continue to be strong in the 4Q?

A. As reported in the media, automotive applications are affected by the shortage of semiconductors, and Toray has also been affected by the reduction in production of some models that use our non-woven material created using ultra-fine fibers for carseats, but we believe the impact is limited at this point in time. There has been no change in the forecast from customers for airbags, etc. at this time. There is also concern about resins, but they have not been adversely affected so far. In general, we expect automotive applications to remain strong in the 4Q.

<Fibers & Textiles>

Q. I would like to know the performance of the fibers & textiles segment in the 3Q and the changes from 3Q to 4Q.

A. In terms of apparel applications, some customers performed strongly in the 3Q. However, in general, store sales were sluggish with the impact of the COVID-19. In addition, uniform applications for the retail and service sector, and business applications such as business suits and dress shirts struggled due to the increasing number of people working from home. The launch of 2021 spring/summer items is also behind schedule because of the inventory carried over from 2020 spring/summer season. Industrial applications remained strong, partly due to a recovery in automobile production. Sales of non-woven material created using ultra-fine fibers also increased with the recovery in automobile production. These products performed strongly than what we had originally expected.

From 3Q to 4Q, shipment of garments decreases every year due to the end of the season for apparel applications both in Japan and overseas. In addition, raw materials prices are rising, and we expect the spread to decrease, mainly in overseas. Sales of PP spunbond were strong until the 3Q, but are expected to decline in both volume and spread in the current quarter, due to the subsiding demand for masks.

<Performance Chemicals>

Q. I would like to know the trends in the performance chemicals segment from 2Q to 3Q as well as 3Q to 4Q.

A. From 2Q to 3Q, in the resins business, sales of ABS resins were steady due to strong demand in the Chinese market as well as recovery in the ASEAN market. Sales of engineering plastics were also strong with the recovery in automotive applications.

The chemicals business saw a gradual recovery in demand for caprolactam. In the films business, sales volume of battery separator films increased mainly in Europe reflecting the growth in the European EV market for automotive applications. Sales of MLCC release films remained unchanged from the 2Q. In the electronic & information materials business, demand for OLED panels increased for use in smartphones and TVs. Sales of electronic circuit materials were affected by decline in sales for smartphone applications.

From 3Q to 4Q, in the resins business, we have factored in the impact of production adjustments for ABS resins by some customers with the Chinese New Year, and the decrease in spread, which had been at a high level until the 3Q. For engineering plastics, automotive applications are expected to be generally strong, but the impact of semiconductor shortages is a cause for concern. In the films business, demand for PET films for smartphones and TVs is expected to decline from the 3Q, and the spread is expected to decrease at overseas subsidiaries due to increase in raw materials prices. Sales volume of battery separator films is expected to increase from the 3Q to the 4Q. In electronic & information materials, sales of OLED related materials and semiconductor and electronic components are expected to be strong.

<Carbon Fiber Composite Materials>

Q. I would like to know the trends in the carbon fiber composite materials segment from 2Q to 3Q as well as 3Q to 4Q.

A. From 2Q to 3Q, aircraft applications continued to be affected by the decline in the production rate at major customers due to the impact of COVID-19.

On the other hand, in sports applications, reflecting the avoidance of the three Cs (Closed, Crowded, Close-contact), demand for outdoor leisure applications such as bicycles, fishing rods, and golf shafts has been recovering in the 3Q. In industrial applications, wind turbine blade applications continued to be strong. As for composite business, shipments of materials of medical devices for the diagnosis of COVID-19 pneumonia remained strong. Revenue increased by 1.7 billion yen from the 2Q to the 3Q, of which revenue for aerospace applications decreased by 1.3 billion yen, revenue for sports applications increased by 0.4 billion yen, and revenue for industrial applications increased by 2.6 billion yen. The decrease in core operating income is largely due to the decline in aerospace applications.

From 3Q to 4Q, it is expected that aircraft applications will continue to be affected by the decline in the production rate at major customers due to the impact of COVID-19. Demand for sports applications is expected to continue to recover from the 3Q. In industrial applications, demand for wind turbine blade applications is expected to remain strong. In addition, we expect the impact from the slight rise in the price of acrylonitrile, the raw material for carbon fiber.

Q. What are your plans to return to profit growth in the overall carbon fiber composite materials business?

A. The Company will work to expand sales for wind turbine blade applications, and expand sales for applications other than aircraft applications such as pressure vessel applications for industrial use and civil engineering and construction. In addition, we will continue to reduce fixed costs.